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SUBJECT: EGYPT LABOR STRIKES FORCE GOE CONCESSIONS

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Summary

¶1. (SBU) Seeming to catch the GOE off-guard, a major strike crippled one of Egypt's largest textile companies this month, successfully extracted financial concessions from the company and GOE, and encouraged spillover strikes. While the Muslim Brotherhood (MB) was happy to jump on the workers' bandwagon, it does not appear to have had any hand in stirring up the protest, despite official GOE accusations. End summary.

Major Strike in the Industrial Heartland

¶2. (U) Large-scale labor protests shut down some of Egypt's premier industrial centers in recent weeks. On December 7, 17,000 night-shift workers at the state-owned Misr Al Mahalla Textile Company stopped production over the company's refusal to pay a two-month salary bonus, as promised by the Prime Minister in a government decree. Also prominent among worker complaints were charges of corruption against newly-appointed Chairman Mahmoud El-Gibaly, who workers accuse of squandering company revenues while lining the pockets of his coterie.

¶3. (U) The company and GOE argued that the workers were not entitled to the bonuses as the company was not in a sector covered by the decree, and, according to company Chairman Mahmoud El-Gibaly, the company did not post a profit. El-Gibaly and the GOE initially refused worker requests to negotiate and disputed worker claims of corruption within in the company, saying the company was carrying too much debt to pay bonuses equal to LE26 million (USD 4.5 million). Secretary General of the Textile Union, Fathi Naamatallah,

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contended the company's own records show a profit of LE 70 million (USD 12 million) and that production has been rising steadily.

¶4. (U) The following day, day-shift workers joined the strike and occupied the factory and an adjacent street. As the strike progressed, the number of workers involved grew to an estimated 27,000 to 54,000, including 4,000 women. Security services were quickly on the scene, but did not attempt to forcibly break up the strike. They did, however, cut power and water to the factory in an attempt to force the striking workers out. The GOE closed the factory December 9 as

negotiations between the workers and company management continued.

¶5. (U) According to reports, the GOE initially refused to negotiate, but pressure from Al Mahalla-area MP's prompted Minister of Manpower Aisha Abdel Hady and Minister of Investment Mahmoud Mohieldin to intervene. The government's initial offer pledged a payment of a 21-day bonus, and Abdel Hady announced that an agreement had been reached. The workers refused the offer, however, citing the upcoming Eid Al-Adha holiday, rising food prices, and their dependence on the full bonuses to make ends meet. As the strike reached its third day, the workers accepted the government's offer of the 21-day bonus, to be supplemented by an additional bonus of LE89 (USD 16) and a half-month's salary to be paid in January. The strike dispersed peacefully and the company has resumed full operations.

MB Involvement?

¶6. (SBU) GOE statements reported in the government-owned press insinuated MB involvement in stirring up the protests. The NDP issued statements requesting that its parliamentarians lodge formal inquiries to determine whether the MB was involved. However, labor activist contacts, including members of a visiting Solidarity Center team, discounted the MB's role, telling us the grievances did not require stoking by the MB.

¶7. (U) An MB-affiliated MP from the Al-Mahalla district, Saad Al Hussein, said in an online interview on December 7 that El-Gibali's practices as alleged by the workers confirm the spread of corruption and nepotism within Egyptian government structures, and that a small group of cronies had seized what was due to the workers. The MB used its website to echo worker accusations that El-Gibali appointed under-qualified associates to posts ranging from the company's social club Board of Directors to key committee positions in purchasing and marketing, and siphoned profits to himself and his supporters. Al Hussein urged the workers to demand their full rights and take all "legal and legitimate" means to achieve them. Al Hussein said he would lodge a formal inquiry with the People's Assembly about the worker's accusations.

Spillover Strikes

¶8. (U) Perhaps bolstered by the success of the Al Mahalla strikers, over 1,700 workers in the Helwan Cement Factory launched a sit-in strike in protest of management's refusal to implement salary increases and pay yearly bonuses. Additionally, 4,000 workers in the Al-Nasr Dye Company in Gharbiyya province took part in a sit-down strike, demanding yearly bonus payments in advance of the upcoming Eid Al-Adha (Great Bairam) holiday.

Comment

¶9. (SBU) The size of the Misr Al Mahalla strike and worker rejection of the initial GOE offer seemed to have caught the GOE and national trade union federation (ETUF) off-guard. It is unlikely the MB had anything to do with the protests, but the MB does appear to have happily jumped on the bandwagon to burnish its credentials in a sector in which it has traditionally been weak. By seeking to highlight the alleged nepotism and corruption within the company, the MB also perhaps recognized an easy opportunity to draw parallels with the Presidency.

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